



PROMISE MADE, PROMISE KEPT

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[Publisher's Note: As part of an ongoing effort to bring original, thoughtful commentary to you here at the FlashReport, I am pleased to present this column from Board of Equalization Member Michelle Steel. - Flash]

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Promise Made, Promise Kept

Jerry Brown Keeps His Promise to Push for a Tax Increase

Could it be that Governor Brown meant what he said in his campaign ads?

Brown said consistently throughout his campaign that there would be “no new taxes without a vote of the people.”

Then this from the *Los Angeles Times*: “He won’t discuss his plans publicly, but people involved in the private discussions expect [Governor-elect Brown] to propose a special election after enacting a dire austerity budget in the spring.” According to the sources, the special election would take place in June, just before the new fiscal year.

During Governor Brown’s Budget town hall in December, we learned that 85% of budget gimmicks proposed last year have either run their course or failed to materialize in the first place. Short term solutions, \$30 billion of them over the last three years, actually made the problem worse. External borrowing has reached 12.1% of the General Fund Budget, an unprecedented level; it must be controlled. Double digit unemployment will continue as California’s economy limps towards growth in the next couple of years. All good reasons to stop the spending and borrowing, and start real budget reform.

We’ve just learned that Brown plans to put a version of 2009’s Proposition 1A back on the ballot – a “temporary” extension of Governor Schwarzenegger’s largest tax hike in state history!

What is he thinking?

Californians have resoundingly opposed new statewide taxes in every election since May 2009 when Prop. 1A first appeared on the ballot. The measure was crushed 2 to 1 at the polls. Californians again said “No” to new taxes this November, rejecting an \$18 car tax, preserving business-friendly tax credits, and supporting a two-thirds vote in the legislature for raising “fees”.

Furthermore, those “temporary” tax increases never did what the tax and spenders promised they would. They didn’t close the budget gap: it’s still huge. In fact, the same quarter in which the 1 percent sales tax increase went into effect, taxable sales dropped by 19 percent, or \$26 billion, compared to the previous year.

Californians feel the pain of the highest sales tax in the country, the fourth highest income tax rate, and the highest corporate tax rate in the west.

In 2010 alone, 193 California businesses relocated or expanded to other states, a nearly fourfold increase from 2009, according to “Business Relocation Coach” Joseph Vranich. He’s said he expects this outmigration to become a “stampede” in 2011.

We used to worry about jobs going to India, now they’re going to another foreign country: Texas.

A few big names: GE Aviation will be shutting down its engine repair and testing facility in San Bernardino County by the end of this year, PETCO Animal Supplies will expand its headquarters to San Antonio, Texas in 2011, creating 400 jobs there. Bubba Gump Shrimp Co. and Claim Jumper Restaurants have both been purchased by a Texas-based company. Their Orange County headquarters will soon be closed, creating 200 new jobs in Houston.

What does a Californian wear to a job interview? Boots, spurs, and a Cowboy hat.

California’s unemployment rate has remained above 12% since August 2009. According to economist John Husing, not one net job has been created in this state since 1998.

Businesses and citizens are fleeing California in droves – and it’s a sad sign that this statement has become cliché.

Tax increases will only make things worse.

Cutting the budget permanently – with real cuts not a Washington Monument strategy – will be a sign that Sacramento has regained its sanity. It will allow current residents to rethink their relocation plans, and allow businesses to start thinking about growth.

Pushing tax increases after deep cuts will do the opposite. The cuts won't be real, and assurances that state spending will "go back to normal" if the taxes are passed will show that nothing has changed. Taxpayers will see the cuts as just another gimmick intended to scare them into giving the politicians what they want: more money and more power over our lives.